



M E K E T A I N V E S T M E N T G R O U P

B O S T O N

S A N D I E G O

March 24, 2011

Dr. George Diehr, Chair, Investment Committee
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

RE: FUND POLICY BENCHMARKS

Dear Dr. Diehr:

As Infrastructure Consultant to the Board, Meketa Investment Group was asked to provide an opinion on the revised benchmarks for infrastructure.

Meketa Investment Group supports the change in the Infrastructure benchmark. Under the proposal, the proposed infrastructure benchmark, CPI + 4%, is lower than the current benchmark of CPI + 5%. The move is intended to create consistency with the revised role of infrastructure at CalPERS, and in particular the program's focus on building a portfolio of more defensive investments with a lower risk/return profile.

Furthermore, at this time, there is no industry-specific benchmark that we feel would be an adequate substitute for the proposed absolute-return benchmark. As the asset class matures, we expect that other options might emerge and be worthy of consideration by CalPERS.

Please do not hesitate to contact us with any questions or comments.

Sincerely,

David Altshuler
Senior Vice President

Stephen P. McCourt
Managing Principal

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